

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

PROPOSED ACQUISITION OF CONTROL OF)

PHL VARIABLE INSURANCE COMPANY)

PHOENIX LIFE AND ANNUITY COMPANY,)

and)

AMERICAN PHOENIX LIFE AND)

REASSURANCE COMPANY)

each a Connecticut domiciled insurance company)

by)

Docket No. EX 15-150

DAVERO MERGER SUB CORP.)

a Delaware corporation)

NASSAU REINSURANCE GROUP)

HOLDINGS, L.P.)

a Delaware limited partnership)

NASSAU REINSURANCE GROUP)

HOLDINGS GP, LLC)

a Delaware limited liability company)

NASSAU HOLDINGS, L.P.)

a Cayman Islands exempted limited partnership)

GGCOF EXECUTIVE CO-INVEST)

HOLDINGS LTD.)

a Cayman Islands exempted company)

GOLDEN GATE PRIVATE EQUITY, INC.)

a Delaware corporation and registered)

investment advisor)

DAVID C. DOMINIK)

STATEMENT OF STEPHEN D. OETGEN

Good morning. My name is Stephen Oetgen, and I am a Director of GGCOF Executive Co-Invest Holdings Ltd. and the Chief Financial Officer, Vice President and General Counsel of Golden Gate Private Equity, Inc., which I will refer to this morning as "Golden Gate".

It is my pleasure to be with you this morning to testify in favor of the proposed acquisition of The Phoenix Companies, Inc., which I will refer to as "Phoenix", and the resulting indirect proposed acquisition of control of each of PHL Variable Insurance Company, Phoenix Life and Annuity Company, and American Phoenix Life and Reassurance Company, which I will refer to as the "Domestic Insurers", by Davero Merger Sub Corp., Nassau Reinsurance Group Holdings, L.P., Nassau Reinsurance Group Holdings GP, LLC and Nassau Holdings, L.P., which I will refer to collectively as "Nassau", and by GGCOF Executive Co-Invest Holdings Ltd., Golden Gate Private Equity, Inc., and David C. Dominik, which I will refer to collectively with Nassau as the "Applicants". The parent of the Domestic Insurers is Phoenix. This proposed acquisition of control of the Domestic Insurers is subject to the Commissioner's prior approval under the Connecticut insurance code, and the Applicants filed an Application on Form A with this Department on November 6, 2015, and amended it on March 15, 2016. I am here this morning to testify in favor of the proposed acquisition of control of the Domestic Insurers. As an officer of Golden Gate, I am authorized to offer testimony regarding the proposed acquisition.

I have been the General Counsel of Golden Gate for three years. My principal responsibilities relate to the financial and legal activities for Golden Gate and the funds managed by Golden Gate, including the private investment funds that are the limited partners of Nassau Holdings, L.P. Prior to joining Golden Gate, I was a senior partner at the law firm of Kirkland & Ellis LLP where I focused on private equity and buyout transactions for nearly 20 years. I

received a J. D. from Georgetown University Law Center and a B.S. in Accountancy from the University of Illinois at Urbana-Champaign. I am a member of both the California and Illinois bars. I am familiar with the pending merger of Phoenix with Davero Merger Sub Corp. and the proposed acquisition of control of the Domestic Insurers by the Applicants and I have reviewed the Form A that is the subject of my testimony today.

Golden Gate is a Delaware corporation headquartered in San Francisco, California and is a registered investment advisor that advises a group of private investment funds which collectively have over \$15 billion of capital under management. Golden Gate has a highly differentiated investment charter providing for significant investment timing and transaction structuring flexibility, which allows it to operate more like a holding company through its permanent capital investment structure.

Certain of Golden Gate's private investment funds own limited partnership interests in Nassau Holdings, L.P., the indirect parent entity of Nassau Reinsurance Group Holdings, L.P. and Davero Merger Sub Corp., which are the parties to the Agreement and Plan of Merger entered into with Phoenix. Pursuant to the Agreement and Plan of Merger and subject to the satisfaction of the closing conditions included therein, including the approval of the proposed acquisition by the Commissioner, Davero Merger Sub Corp. will be merged with and into Phoenix with Phoenix continuing as the surviving corporation. As a result of the merger, Phoenix as the surviving corporation will become a wholly-owned subsidiary of Nassau Reinsurance Group Holdings, L.P. and the Applicants will indirectly acquire control of the Domestic Insurers. The total aggregate consideration to be paid by Nassau in the merger will be approximately \$217.2 million. The private investment funds managed by Golden Gate that are limited partners of Nassau Holdings, L.P. have provided funding to Nassau sufficient to pay the consideration in

connection with the merger. There will be no borrowing or acquisition debt involved in the merger.

Such private investment funds collectively have a net worth that is in excess of \$1 billion. David. C. Dominik is the sole director of Golden Gate and therefore possesses the power to direct or cause the direction of the management and policies of Golden Gate and the private investment funds that are the limited partners of Nassau Holdings, L.P. Since the interests in Nassau Holdings, L.P. held by these private investment funds are purely economic interests and non-voting, the investors in the private investment funds will not exercise any control over Nassau or the Domestic Insurers.

Golden Gate has been an investor in the insurance space dating back to its very first fund more than 15 years ago with numerous investments over the years in both insurers and reinsurers. The recent Golden Gate investment in Nassau and Nassau's planned investment in Phoenix are both consistent with that long investment history as well as Golden Gate's long-standing investment strategy of partnering with strong managers to build and grow companies that create value for all stakeholders.

I would now like to address some of the specific criteria that I understand the Commissioner must consider when deciding whether to approve this transaction:

- The first criterion I will address looks at whether the financial condition of the acquiring parties jeopardizes the financial stability of the Domestic Insurers or prejudice the interests of its policyholders. With respect to the financial condition of the Golden Gate organization, we believe that Golden Gate and the private investment funds that are the limited partners of Nassau Holdings, L.P. are very strong financially and that Golden Gate's acquisition of a controlling interest in

Phoenix would not in any way jeopardize the financial stability of the Domestic Insurers or prejudice the interest of its policyholders. On the contrary, as we have indicated previously, we believe that our partnership with Phoenix will strengthen that institution financially. As part of the proposed acquisition and incremental to the merger consideration, Nassau will fund additional capital of at least \$100 million, funded by Golden Gate under our existing commitment to Nassau. These funds will be infused into Phoenix to improve Phoenix's financial condition and ultimately will leave Phoenix in a much stronger financial position.

- The next criterion looks to whether there are plans or proposals of the acquiring party to liquidate the Domestic Insurers, sell the Domestic Insurers' assets or consolidate or merge the Domestic Insurers with any person, or to make any other material change in its business or corporate structure or management, that are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest. There is no plan to liquidate any of the Domestic Insurers, sell their assets to or merge or consolidate them with any person or persons or to make any other material change to the business, corporate structure or management of the Domestic Insurers. With respect to Golden Gate's future plans for Phoenix, Golden Gate believes that the best course we can take at this point is to support the strategic vision that the Nassau management team has laid out for you. We will do this by providing Nassau with the necessary capital to complete the merger and serving as a partner to Nassau as it pursues the objectives that Mr. Gass described in his testimony. Golden Gate has a great deal of confidence in the senior management team of Nassau. Indeed, that is one of the strongest reasons for investing in Nassau and its vision for Phoenix.

- The next criterion looks at whether the competence, experience and integrity of those persons who would ultimately control the operation of Phoenix and the Domestic Insurers are in the interest of policyholders of the Domestic Insurers and of the public. Let me start by saying that Golden Gate has considerable experience in investing in the insurance industry. Among Golden Gate's past and present insurance holdings are: Endurance Specialty Holdings, Ltd., Employers Direct Insurance Company, Interstate National Dealer Services, National Warranty Corporation, Financial American Life Insurance Company, and Financial American Property & Casualty Insurance Company. So Golden Gate is familiar with this industry and takes very seriously its obligations to the public in operating an insurance company. The officers and directors of Golden Gate are experienced professionals with strong educational and business credentials. I have told you about my qualifications and would be happy to answer any questions you may have about my background and the background of Golden Gate's managing directors during today's hearing. I would also like to add that we have provided in connection with our Form A biographical information, including sworn affidavits, as to all of the Golden Gate individuals who will be directors of Nassau.
- Finally, we recognize that the Department must satisfy itself that the proposed acquisition is not likely to be hazardous or prejudicial to the insurance-buying public. Obviously, Golden Gate agrees with Mr. Gass and Mr. Wehr that Golden Gate's investment in Phoenix will have a positive impact on that organization's ability to meet the needs of its policyholders. We believe that our investment in Phoenix will

enhance the capital to which it has access and allow the Domestic Insurers to remain strong, locally-based insurance companies.

In closing, I would like to thank you for the opportunity to testify before you here today.

We are excited about our proposed partnership with Nassau and Phoenix and hope the Commissioner will approve our application. We will be happy to answer any questions the Department may have at this time or at any other time throughout this hearing. Thank you very much.

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STATEMENT OF JAMES D. WEHR

Good morning. My name is James D. Wehr, and I am the President and Chief Executive Officer of The Phoenix Companies, Inc. ("Phoenix"), which wholly owns each of PHL Variable Insurance Company, Phoenix Life and Annuity Company and American Phoenix Life and Reassurance Co. (collectively, the "Domestic Insurers"). It is my pleasure to be with you this morning to testify in favor of the proposed acquisition of Phoenix and the resulting indirect acquisition of control of each of the Domestic Insurers by Nassau Reinsurance Group Holdings, L.P. ("Nassau").

I. Description of Phoenix

Phoenix is a holding company incorporated in Delaware with operating subsidiaries providing life insurance and annuity products through independent producers. We have a long history in Connecticut dating to 1851. Through the years, the company has taken many forms and evolved its focus and strategy to meet the opportunities and challenges of the times. We were founded in Hartford as the American Temperance Life Insurance Company, a private stockholder-owned company dedicated to serving those who promised to abstain from alcohol. Within the first decade, we dropped the temperance requirement, changed our name, and began a transition toward a policyholder-owned, mutual structure. Phoenix operated as a mutual insurance company for well over a century, merging with Home Life Mutual in the early 1990s to create the combination of Connecticut and New York based insurance operating companies we still have today. Phoenix retained its mutual status until 2001, when we demutualized and created a publicly traded holding company. Since the demutualization, most new business has

been written out of our Connecticut insurance companies. Our acquisition by Nassau will mark the next step in our evolution, as we convert to private ownership and establish ourselves as Nassau's U.S. life and annuity platform. We believe the acquisition by Nassau will enable us to maintain our proud 165-year tradition in the years ahead.

II. Description of the Process leading to the Proposed Merger

As part of our ongoing strategic evaluation of Phoenix's operations and financial performance, as well as industry conditions and related developments that may impact Phoenix's long-term strategic goals and plans, the Phoenix board of directors (the "Board") and Phoenix's senior management team regularly consider potential opportunities (including potential business combinations) to enhance value for all of our stakeholders. In 2014, as part of our strategic evaluation, the Board initiated a process to explore a potential sale of Phoenix. After engaging with over 20 potential buyers over the course of the year, the process ultimately did not result in a transaction. In spring and summer of 2015, after the Board reviewed the financial condition of Phoenix and certain unsolicited offers to acquire Phoenix from various parties, the Board again decided it to be in the best interest of Phoenix to explore a potential sale of the company. In the following months, we and our financial and legal advisors held discussions regarding a potential sale of Phoenix with ten parties that were determined by the Board (after consulting with its advisors) to be most likely to be willing and able to pursue an acquisition of Phoenix. Nassau emerged as the party with the most attractive proposal in all respects. In addition to proposing the highest price for Phoenix's shares (which represented a substantial premium to the then-current market price of Phoenix's common stock), Nassau was the only bidder that expressed a willingness to make a contribution of capital into Phoenix after the acquisition. The Board also noted that Nassau was the bidder that consistently expressed the most interest and enthusiasm for

the future of Phoenix, which manifested itself in a number of ways, including its willingness to agree to various regulatory requirements in order to obtain approval for the merger. Based on its consideration of the aforementioned factors and other matters, the Board unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, were in the best interests of Phoenix and executed the merger agreement on September 28, 2015.

III. The Proposed Merger is Beneficial to Phoenix, its Policyholders, its Stockholders and to the State of Connecticut.

Phoenix is confident that the proposed merger will be beneficial to Phoenix, its policyholders, its stockholders and to the State of Connecticut.

The Proposed Merger is Beneficial to Phoenix and its Policyholders

After the proposed merger is completed, Nassau intends to operate Phoenix in a manner similar to how Phoenix has operated in the past. Phoenix will be Nassau's U.S. life and annuity platform, will remain headquartered in Hartford, CT and Nassau expects to retain a material portion of the Company's current workforce. Nassau's immediate objectives are to stabilize Phoenix's balance sheet by injecting \$100 million in new capital to support Phoenix's subsidiaries and to focus business initiatives and resources on restoring profitability. Over time, Nassau expects this will stabilize and improve Phoenix's financial condition and financial strength ratings, both of which will support Phoenix's longer term sales and growth plans. In addition, Nassau expects to reduce costs while simultaneously improving Phoenix's infrastructure and upgrading and consolidating its systems. Taking Phoenix private will bring several advantages to our operations going forward, including no longer having to incur the significant recurring costs associated with being an SEC registrant and publicly listed company. In keeping with its focus on restoring profitability, Nassau intends to limit and/or discontinue

products that either do not achieve acceptable levels of return or that result in unacceptable levels of capital consumption and risk. The policyholders of the Domestic Insurers will benefit not only from Nassau's plan to operate Phoenix in a similar manner, but also from the stability and financial strength that Nassau's capital infusion and business initiatives will bring about.

The Proposed Merger is Beneficial to Phoenix's Stockholders

When the Board approved the merger agreement, the Board not only considered the potential values, benefits, risks and uncertainties facing Phoenix's stockholders associated with possible strategic alternatives to the merger, and the timing and likelihood of accomplishing such alternatives, but it also considered information with respect to its financial condition and prospects. At the conclusion of the Board's exploration of a potential sale of the Company, the Board determined Nassau's proposal to be superior to both (i) the proposals from the remaining bidders who expressed a bona fide interest in acquiring Phoenix and (ii) Phoenix's stand-alone prospects. It should be noted that no other potential buyer engaged during the process conducted in 2015 submitted and maintained an offer to acquire Phoenix at a purchase price per share that was greater than the \$37.50 per share price to be paid by Nassau in the proposed merger. Moreover, the merger consideration of \$37.50 per share in cash represents a significant premium across a number of measuring periods, and Phoenix's financial advisors are of the opinion that, as of the date of the merger agreement, the \$37.50 cash per share merger consideration was fair from a financial point of view to Phoenix's stockholders. Phoenix's stockholders have already approved the merger agreement and the proposed merger at a special stockholders' meeting held last December. In fact, I would like to highlight the fact that over 98% of the shares of Phoenix's common stock present in person or represented by proxy at this stockholders' meeting were voted in favor of approving and adopting the proposed merger.

The Proposed Merger is Beneficial to the State of Connecticut

The proposed merger is also beneficial to the State of Connecticut. Nassau's plan of operations provides for the retention of a material portion of Phoenix's workforce in Connecticut over the next several years and maintaining Phoenix's headquarters in downtown Hartford. Further, Nassau has no present plans to liquidate any of the Domestic Insurers, sell their assets to or merge any of them with any person, or to make any other material change in their business operations or corporate structure or management or cause any of the Domestic Insurers to enter into any material arrangements with any party.

IV. Conclusion

In closing, I would like to thank the Department for the opportunity to testify at this hearing today and for all of the Department's efforts in reviewing this important transaction. A few members of my management team are also available here today, including John Mulrain, General Counsel, Jody Beresin, Chief Administrative Officer, and Naomi Kleinman, Head of Investor Relations. We would be happy to answer any questions that the Department may have at this time or at any time throughout this hearing. Thank you very much.

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STATEMENT OF PHILLIP GASS

Good morning. My name is Phillip Gass, and I am the Chief Executive Officer of Nassau Reinsurance Group, which includes Davero Merger Sub Corp., Nassau Reinsurance Group Holdings, L.P., Nassau Reinsurance Group Holdings GP, LLC, Nassau Holdings, L.P. and GGCOF Executive Co-Invest Holdings Ltd. and which I will refer to collectively as "Nassau".

It is my pleasure to be with you this morning to testify in favor of the proposed acquisition of The Phoenix Companies, Inc., which I will refer to as "Phoenix", and the resulting indirect proposed acquisition of control of each of PHL Variable Insurance Company, Phoenix Life and Annuity Company, and American Phoenix Life and Reassurance Company, which I will refer to as the "Domestic Insurers", by Davero Merger Sub Corp., Nassau Reinsurance Group Holdings, L.P., Nassau Reinsurance Group Holdings GP, LLC, Nassau Holdings, L.P., GGCOF Executive Co-Invest Holdings Ltd., Golden Gate Private Equity, Inc., and David C. Dominik, which I will refer to collectively as the "Applicants". The proposed acquisition of control of the Domestic Insurers is subject to the Commissioner's prior approval under the Connecticut insurance code, and the Applicants filed an Application on Form A with this Department on November 6, 2015, and amended it on March 15, 2016. I am here this morning to testify in favor of the proposed acquisition of control of the Domestic Insurers. As an officer of Nassau, I am authorized to offer testimony regarding the proposed acquisition.

I am the Co-Founder, Chairman and Chief Executive Officer of Nassau Reinsurance Group, which was founded in 2015. I previously served as Chairman and Director of Fidelity & Guaranty Life from 2011 through 2015. I also previously served as Managing Director of Investments at HRG Group Inc. where I was responsible for HRG and its affiliates' investments

in financial services. Prior to joining HRG and its affiliates in 2008, I served as Vice President of GE Capital, where I was responsible for underwriting and managing private equity investments from 2004 to 2008. I received my B.S. in Finance from New York University in 2000 and I am a CFA charter holder. I am familiar with the proposed acquisition of Phoenix by the Applicants and I have reviewed the Form A that is the subject of my testimony today.

Nassau Reinsurance Group was founded in 2015 with an equity seed capital commitment of \$750 million provided by private investment funds managed by Golden Gate Private Equity, Inc., which I will refer to as "Golden Gate". Nassau's mission is to acquire and operate U.S. and non-U.S. platforms with long tail liabilities focused on the life, annuity and long term care sectors. Our personnel have extensive experience both on Wall Street and as investor-operators of U.S and non-U.S. insurance, reinsurance and asset management businesses, and we believe we have a competitive advantage in acquiring and growing businesses with a long term view.

I would like to take a moment to describe some of the entities in Nassau's corporate structure. Nassau Reinsurance Group Holdings, L.P. is intended to be the principal holding company for all of Nassau's U.S. insurance businesses, including Phoenix and the Domestic Insurers. NSRE Holdings, Inc. is a Delaware corporation and a wholly owned subsidiary of Nassau Reinsurance Group Holdings, L.P. that is intended to be the principal holding company for Nassau's U.S. reinsurance platform following the completion of certain potential acquisitions. Nassau Re (Cayman) Ltd., a Cayman Islands exempted company and an affiliate of Nassau Reinsurance Group Holdings, L.P., is intended to be the principal non-U.S. reinsurance platform for Nassau. Nassau Asset Management LLC, a Delaware limited liability company, is expected to retain best-in-class asset managers to manage assets held by the Nassau group's affiliates, including the assets of the Domestic Insurers following the closing of the proposed

acquisition. Nassau Asset Management LLC is expected to delegate all or a portion of the management of such assets to the current asset managers of the Domestic Insurers for a period of time following the closing of the proposed acquisition. Finally, Nassau Reinsurance LLC is a Delaware limited liability company and Nassau's U.S. management entity which provides management services to the Nassau's U.S. entities. I have told you about the principal entities of Nassau and would be happy to answer any questions you may have about these entities or any of Nassau's other affiliates during today's hearing.

The acquisition of Phoenix represents a key first step for Nassau in developing a U.S. life and annuity platform, and will position Phoenix for long term success. Nassau's goal is to strengthen Phoenix's financial core to ensure a thriving and robust company. We believe that taking Phoenix private, in conjunction with providing new equity capital, will accelerate Phoenix's turnaround, substantially bolster its financial strength, ratings and risk-based capital ratios, and benefit policyholders and distribution partners. Phoenix has a well-recognized brand that we believe, after the addition of new capital and its turnaround, can be utilized to successfully reposition the company for growth over the long term by not only focusing on sales of products that are currently profitable to Phoenix but also expanding to new product sales and acquisitions. Furthermore, Nassau intends to utilize Phoenix's current headquarters located at One American Row in Hartford, CT as its own headquarters.

The Domestic Insurers, all of which are wholly owned subsidiaries of Phoenix, are engaged in the business of providing life insurance and annuity products through independent producers. The Applicants will acquire control (as defined in Section 38a-1 of the Connecticut General Statutes) of the Domestic Insurers pursuant to an Agreement and Plan of Merger entered into among Davero Merger Sub Corp., Nassau Reinsurance Group Holdings, L.P. and Phoenix,

pursuant to which Davero Merger Sub Corp. will be merged with and into Phoenix with Phoenix continuing as the surviving corporation. As a result of the merger, Phoenix as the surviving corporation will become a wholly-owned subsidiary of Nassau Reinsurance Group Holdings, L.P. and the Applicants will indirectly acquire control of the Domestic Insurers. The total aggregate consideration to be paid by Nassau in the merger will be approximately \$217.2 million. The private investment funds managed by Golden Gate that are limited partners of Nassau Holdings, L.P. have provided capital contributions to Nassau sufficient to pay the consideration in connection with the merger. There will be no borrowing or acquisition debt involved in the merger.

Nassau is backed by Golden Gate and its private equity investment funds that are the limited partners of Nassau Holdings, L.P., which collectively have a net worth that is in excess of \$1 billion. We are proposing to acquire Phoenix to operate the Domestic Insurers as financially strong insurance companies, and the transaction is structured with that in mind. Nassau's immediate objectives are to stabilize Phoenix's balance sheet by funding significant new capital into Phoenix of at least \$100 million to support its subsidiaries, including the Domestic Insurers, and implementing a series of actions to right-size expenses, and to focus business initiatives and resources on restoring profitability, which we believe is critical to the future success of Phoenix. Over time, Nassau expects that its actions will stabilize and improve Phoenix's financial condition and its financial strength ratings, as its statutory capital and surplus and risk-based capital levels are bolstered. We believe these actions will serve to support longer term goals, including sales and growth plans, and enhance overall quality and service to policyholders and reduce enterprise risk, while also improving our ability to support Phoenix's existing pension obligations.

As previously discussed with the Department, Nassau's business plan contemplates operating PHL Variable Insurance Company at a minimum Authorized Control Level Risk-Based Capital Ratio, which I will refer to as "ACL RBC", of 400% following the closing of the proposed acquisition. However, consistent with our experience with Fidelity and Guaranty Life Insurance Company, we intend to target higher levels of RBC over the longer term. This will be achieved by improving profitability of new business, improving the quality of Phoenix's balance sheet, and rightsizing expenses as a private company. We believe that this will help support improvements in financial strength ratings, and ultimately longer term goals. If at the end of any calendar quarter the ACL RBC Ratio of PHL Variable Insurance Company falls below 400%, Phoenix shall contribute additional capital in the form of cash or other assets acceptable to the Department, in such aggregate amount to maintain a minimum ACL RBC Ratio of 400%, or we will work with the Department to adopt a plan to take such other measures to increase such ACL RBC Ratio.

Regarding the day-to-day operations of the Domestic Insurers following the proposed acquisition, the Domestic Insurers' executive offices and headquarters will remain at One American Row in Hartford, Connecticut after closing for at least three years. We expect that the existing business and corporate functions of Phoenix will continue to be conducted at such location for the foreseeable future. In addition, Nassau plans to retain a material portion of Phoenix's workforce in Connecticut. We note that as Nassau continues to analyze the potential for rationalizing per policy costs and expenses, including by outsourcing certain functions of Phoenix, Phoenix's headcount will decline and certain employees of Phoenix may be transferred to third-party administrators. As previously discussed with the Department, Nassau has agreed to guarantee minimum job levels in Connecticut of 60% of the current number of employees in

2016, 55% of the current number of employees in 2017, and 50% of the current number of employees in 2018 and 2019.

I would like to address now some of the specific criteria that the Commissioner must consider when deciding whether to approve this transaction. Each of these criteria supports approval of this transaction by the Commissioner:

- The first criterion is that the Domestic Insurers be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which they are presently licensed. That requirement is satisfied because there is nothing in the proposed acquisition that affects the Domestic Insurers' ability to satisfy the requirements contemplated by their licenses. To the contrary, as I previously noted, we are proposing to acquire the Domestic Insurers to operate them as financially strong insurance companies, and the proposed acquisition is structured with that in mind. As such, the Domestic Insurers will continue to satisfy the minimum capital and surplus requirements needed to maintain their licenses under Connecticut law and meet all other eligibility requirements for their licenses. The business plan anticipates that the Domestic Insurers will continue writing business in the lines for which they are licensed.
- The next criterion looks at whether the proposed acquisition would substantially lessen competition of insurance in Connecticut or tend to create a monopoly. This proposed acquisition will not substantially lessen competition or tend to create a monopoly in insurance in Connecticut. Nassau does not own or control any insurance companies that write business in the same lines of business as the Domestic Insurers. Because Nassau does not own or control any insurance

companies that write business in the same lines of business as the Domestic Insurers, the proposed acquisition will not result in any anti-competitive effect or any increase in market share in the life insurance or annuity markets in Connecticut.

- The next criterion looks at whether the financial condition of the acquiring parties jeopardizes the financial stability of the Domestic Insurers or prejudices the interests of their policyholders. Here, the acquiring party, Nassau is a financially strong acquirer with backing from Golden Gate, as indicated in the Form A, and will bolster the financial stability of the Domestic Insurers. Through its capital commitment from Golden Gate, Nassau will have the resources to operate the Domestic Insurers effectively. The private investment funds that are the limited partners of Nassau Holdings, L.P. have funded \$400 million of the \$750 million in committed capital contributions to Nassau to be used to, among other things, fund the merger consideration and the \$100 million capital contribution to Phoenix. Nassau believes that the Domestic Insurers' stability, policyholder and pensionholder interests will all be enhanced by the proposed acquisition.
- The next criterion looks to whether there are plans or proposals of the acquiring party to liquidate the Domestic Insurers, sell the Domestic Insurers' assets or consolidate or merge any of the Domestic Insurers with any person, or to make any other material change in its business or corporate structure or management, that are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest. We believe that Nassau's future plans for Phoenix are fair

and in the best interest of its policyholders and the public. First, let me say that our business plan for the Domestic Insurers is to strengthen and build its business, and there is no plan to liquidate any of the Domestic Insurers, sell their assets to or merge or consolidate them with any person or persons or to make any other material change to the business, corporate structure or management of the Domestic Insurers. To support the business of the Domestic Insurers, Nassau will be contributing new capital to Phoenix of at least \$100 million, which will bolster its balance sheet and increase the financial strength of the Domestic Insurers. We believe that these actions will help us improve the Domestic Insurers' financial strength and are in the best interests of policyholders, pensionholders, and the public generally.

- The next criterion looks at whether the competence, experience and integrity of those persons who would ultimately control the operation of Phoenix and the Domestic Insurers are in the interest of policyholders of the Domestic Insurers and of the public. I will let Mr. Oetgen speak to that issue as it pertains to Golden Gate personnel. Nassau's personnel have considerable experience in the insurance industry and therefore are familiar with this industry and take very seriously their obligations to the public in operating an insurance company. The chief senior executives of Nassau consist of myself and Kostas Cheliotis, in addition to a team of other Nassau executives, all of whom have substantial experience operating insurance companies. Mr. Cheliotis is responsible for legal affairs as the General Counsel of Nassau, in addition to strategy and operations and is an experienced professional with strong educational, legal and business credentials. Mr. Cheliotis

previously served as Senior Vice President and Deputy General Counsel of HRG Group, Inc., where he focused on investments in financial services including insurance, reinsurance and asset management. Mr. Cheliotis also previously served as Director and Chairman of the Compensation Committee of Fidelity & Guaranty Life. Prior to joining HRG Group and Fidelity & Guaranty Life in 2010, Mr. Cheliotis was a senior associate in the M&A Group at the law firm of Milbank, Tweed, Hadley & McCloy. He received his B.A. from St. John's University and his J.D. from New York Law School. Mr. Cheliotis and I will serve as directors of Phoenix following the closing of the proposed acquisition. I would also add that we have provided in connection with our Form A biographical information, including sworn affidavits, as to all of the Nassau individuals who will be officers and directors of the Applicants and Phoenix.

- Finally, we recognize that the Department must satisfy itself that approving the acquisition will not in any way be hazardous or prejudicial to the insurance-buying public. I hope I have made clear in my comments that, rather than hurting policyholders, the proposed acquisition will help Phoenix policyholders and the insurance-buying public in Connecticut. As described above, some of these benefits include: our goal to increase the financial stability of Phoenix via an immediate capital infusion of at least \$100 million, a focus on strengthening Phoenix's balance sheet, a commitment to maintain the ACL RBC Ratio at a level of at least 400%, and a commitment to grow Phoenix's business with its headquarters in Hartford, including organically growing the business by increasing its sales and commitment to its policyholders and employees. For these

reasons, among others, Nassau believes the proposed acquisition is sound and will be in the interest of the insurance buying public. As compared to remaining a public company, and having limited access to new capital, among other things, the proposed acquisition will provide an immediate infusion of new capital, which is intended to strengthen the Domestic Insurers and provide a solid basis for future growth. Therefore, we do not believe that the proposed acquisition is likely to be hazardous or prejudicial to the insurance buying public.

In closing, I would like to thank you for the opportunity to testify. We are excited about the proposed partnership between Nassau and Phoenix and hope the Department will approve our application. We anticipate the closing of the transaction will occur shortly after approval from the Department and the New York State Department of Financial Services, whose approval is required because an affiliate of the Domestic Insurers is domiciled in New York. We have received Hart-Scott-Rodino clearance and also clearance with the Texas Department of Insurance with regard to an agency licensed in Texas that is owned by Phoenix. We have also received approval from the Phoenix stockholders and achieved a successful consent solicitation of the Phoenix bondholders in connection with the proposed acquisition. I and the rest of the Nassau team would be happy to answer any questions that the Department may have at this time or at any time throughout this hearing. Thank you very much.